



# IAS PARLIAMENT

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## GIST OF KURUKSHETRA

AUGUST 2019

**Shankar IAS Academy™**

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## **KURUKSHETRA AUGUST 2019**

### **1. Corporate Investment in Agriculture**

#### **Why Corporate Investment is essential?**

- The private sector is becoming increasingly active in commercial crops.
- To give incentives to the private corporate sector with its presence growing rapidly in pro-poor crops and regions, there is an increasing need to provide enabling policy environment with effective IPRs and bio-safety arrangements.
- Moreover, the private sector's role is becoming more dynamic to include a large number of services provided to the agricultural sector.
- India is the world's largest producer of pulses and spices and the second largest producer of wheat and rice following China.
- The current private corporate investment in agriculture as a percentage of the total annual investment in agriculture is about 2%.
- Agriculture is highly reliant on the Government.
- Greater investments from companies which buy farmers' produce in some states, can contribute significantly

towards uplifting farmers' incomes at a steady pace.

#### **What are the government efforts to encourage corporate investment**

- The reforms are as follows:
  1. There have been efforts since 2012 to encourage Farmer Producer Companies (FPCs) which are a hybrid between cooperative societies and private limited companies registered under the company's Act.
  2. In order to promote the production of oil palm the National Mission on Oilseeds and Oil Palm (NMOOP) from 2014-15.
  3. The Model Agriculture produce & Livestock Marketing (Promotion & Facilitation) Act, 2017 provides the opportunity for the private sector to set up private markets, alternate marketing channels, online market platforms, etc.
  4. The Model Agriculture produce & Livestock contract Farming & Services Act (Promotion & facilitation) Act, 2018 enables private sector investments by way of capital, technology, and extension all along the value system
  5. Exemption to FPC under Income Tax Act has offered an IT exemption to all FPCs with a turnover of up to Rs 100 crore per annum.



6. There is 100 per cent foreign direct investment (FDI) in food retail
7. The Ministry of Agriculture and Farmers Welfare, in collaboration with Start-Up India, launched the Agriculture Grand Challenge.
8. There is a budget proposal (2019) by the government to form 10,000 farmer producer organizations (FPOs) in the next five years.

#### ***What should be done?***

- Agricultural growth is dependent on investments from the private sector, but first large investments from the private sector in public goods—roads, water, education, research, irrigation, extension, finance, warehouses, etc. is essential to attract the private investments.
- The Ministry of Agriculture and Farmers Welfare has estimated that to double farmer incomes, private investment in agriculture must increase by two times.
- Private investments refer to investments made by farmers themselves; therefore there is a dire need for the sector to be backed by corporate investments.

## **2. Banking and financial inclusion**

### ***What is the need for financial inclusion?***

- Banks have control over a large part of the supply of money in circulation.
- They can influence consumption, production, employment and distribution of resources.
- It can play a role in maintaining equity and growth.
- Financial Inclusion has the ability to uplift financial condition.
- Although access to financial services is one of the key elements for poverty eradication, it is not viable for banks to reach all the villages and all the people through brick-and-mortar model.

### ***What is the Status & progress of financial inclusion in India?***

- Banking and Financial inclusion go hand in hand in fostering economic growth and equitable distribution of financial resources in a more inclusive manner.
- The banking sector is widely recognised as one of the important drivers for livelihood support for the poor and the disadvantaged sections of the society.
- By reducing extreme poverty and building prosperity, the banks help accelerate economic progress.



- Some of the interventions made by Government of India, Reserve Bank of India (RBI) and National Bank for Agriculture and Rural Development (NABARD).
- Their steps taken for effective penetration of financial inclusion are given below:

### **Self Help Group Bank Linkage Programme (SBLP)**

- This SBLP programme is cost effective and an effective tool for poverty eradication.
- The programme has proved that lending to the poor is bankable and when small loan products are offered to the poor even without collateral, they repay the dues on time.

### **Kisan Credit (KCCs) and General Credit Cards (GCCs)**

- The prime motive of this scheme is to help farmers to get quick and timely access to formal credit.
- Under the scheme, both owner cultivators as well as landless cultivators avail credit to meet their needs at subsidized rates of interest.
- Through the KCC, the farmers get bank loan for a variety of purposes in agriculture and allied sectors.

### **Banking outlets in villages**

- The Government's focused thrust and supportive action plan has resulted in

a significant growth in the number of banking outlets in rural areas.

- The number of banking outlets in villages due to the recent advancement of technology & communication network, infrastructure and scope of cost reduction and Government policy, the growth rate of branchless banking network has been increasing at a fast rate even in remote villages.
- The RBI in January 2006 issued guidelines allowing banks to employ intermediaries such as Business Correspondents (BCs) and Business Facilitators (BFs).
- The BCs are allowed to carry out banking transactions on behalf of the bank as agents
- The business Facilitators facilitates submission of clients' proposal to the bank.

### **BSBDA account**

- The Financial Inclusion programmes in India became more focused with the introduction of 'No-Frills Account (NFA) in 2005.
- Under the scheme, the NFA offers minimum banking facilities to the account holders by having a zero balance.
- Later, in 2012, the no Frill Accounts were replaced with Basic Savings



Bank Deposit Account (BSBDA) with the objective of strengthening the efforts for furthering Financial Inclusion drive.

### **Prime Minister Jan Dhan Yojana(PMJDY)**

- For extending formal financial services such as Banking savings & Deposit Accounts, Remittance, Credit, Insurance and pension in an affordable manner Jan Dhan yojana(PMJDY) scheme was launched on 28 August 2014.
- The major features of the scheme include:
  - a. The facility to open a basic savings bank deposit(BSBD) account in any bank branch or BC outlet;
  - b. Accidental insurance cover and life insurance cover; and
  - c. An overdraft(OD) facility after satisfactory operation of the account for six months.

### **What should be done?**

- Financial inclusion acts as a bridge between economic opportunity and outcome.
- More steps need to be taken for effective financial and technological literacy, capacity building, easy and affordable credit facility and marketing the produce of the small and marginal farmers

- As technology can play a pivotal role to make branchless banking a reality, banks may use mobile banking, micro-ATM and Business Correspondent model to reach the unreached and bank the unbanked.
- It is also expected that agri/tech startups may provide the latest technology and link the farmers with market for better returns.

### **3. Health for New Rural India**

#### **How healthy India help in achieving 5 trillion dollar economy?**

- The Government has placed a lot of emphasis on the fact that a Healthy India is a requisite for a 5 trillion dollar economy.
- The government will strengthen India's primary and secondary healthcare services in the rural areas.
- This may reduce out-of-pocket expenses with enhanced allocations in the AB-PMJAY scheme, as also focusing on tertiary care facilities.
- The government lays down the decadal vision for the Health Sector as "Healthy India-Ayushman Bharat, well nourished women & children, Safety of Citizens."
- The Health Ministry shows an increase of 28.67 per cent in total outlay reflecting the importance



accorded to health sector in the country

**What are the schemes introduced to address health issues in India?**

S. No.	Major Schemes
1	Pradhan Mantri Swasthya Surksha Yojana
2	National Health Mission
3	Ayushman Bharat-PMJAY
4	Autonomous Bodies (AIIMSPGI etc)

**National Health Mission**

- India’s flagship health sector programme the National Health Mission (NHM) sought to revitalize rural and urban health sectors by providing flexible finances to State Governments.
- The National Health Mission comprises of 4 components,
  1. the National Rural Health Mission
  2. the National Urban Health Mission
  3. Tertiary Care Programmes and
  4. Human Resources for Health and Medical Education.

**National Health Systems Resource Center**

- The establishment of the National Health Systems Resource Center (NHSRC) helped design and formulate various initiatives.
- State Health Systems Resource Centers have also been established in some states.
- Accredited Social Health Activist (ASHA) workers were deployed as transformational change agents in every village.
- The ASHA workers acted as mobilisers for institutional deliveries, focused on integrated management of neonatal and childhood illness and advised on home-based neo-natal care.
- At the primary Health Centre(PHC) and Community Health Centre(CHC) level Roogi Kalyan Samitis have been activated to establish system of oversight over the public health facilities for creating a patient friendly institutions.

**Mission Indradhanush**

- Mission Indradhanush, sought to achieve full immunisation coverage of 90 per cent children by 2020.
- The Mother’s Absolute Affection programme was launched in 2016 with focus on promotion of breast feeding practices.



### **Rashtriya Bal Suraksha Karyakram**

- The Rashtriya Bal Suraksha Karyakram represent the major screening programmes of Government for early screening and interventions in children and adolescent girls.
- The Government has added the Pradhan Mantri Surakshit Matritva Abhiyan for assured antenatal care.

### **What National Health Policy(NHP) 2017 is aimed at?**

- The NHP seeks to:
  - Raise the health sector spending to 2.5 per cent of GDP
  - Create patient centric institutions
  - Empower the patient centric institution
  - Empower the patients and
  - Lay down standards for quality of treatment.
  - It also seeks to strengthen health infrastructure to 2 beds/1000 population and provide free drugs, free diagnostics and essential health care in all public hospitals.
  - The NH's key goals are to improve the life expectancy at birth from 67.5 years to 70 years by 2025
  - Reduce the infant mortality to 28 by 2018.
  - The NHP seeks to reform medical education

- The NHP places a lot of emphasis on human resources as a vital component of India's health care

### **Ayushman Bharat**

- The major thrust areas of Government are primary healthcare and universal health coverage.
- One of the biggest health sector challenges in high out-of-pocket expenses for health and medical costs.
- The AB-NHPM provides an annual benefit cover of Rs.5 lakh per family to cover 10 crore poor, deprived rural families.
- The eligible beneficiary has to be listed in the SECC database or the existing RSBY database.
- The AB-NHPM will be implemented on a 60:40 basis between Centre and the States.
- A National Health Agency has been mandated to implement the mission with state Health Agencies being established in every state.
- The second component of Ayushman Bharat is to deliver comprehensive primary health care through a network of 1.5 lakh health and wellness centres nationwide by 2022.



#### **4. MSMEs: Key component for India's \$5 trillion economy**

##### **What is the need?**

- To reach the \$5 trillion economy, MSMEs have to lay a much bigger role, in employment generation, in exports, in skilling people and in making the sector more formalized.
- So that they start reaping the benefits of reforms such as GST.
- This will also pave the way for easier access to credit flow.
- In fact, there will be huge opportunities for MSMEs in the next five years.
- Moreover, with the Government's focus on enhancing credit flow to MSMEs, technological upgradation and digitising MSMEs, they cannot only compete effectively; with global counterparts, but also play a bigger role in the 'Make in India' campaign.
- With the focus on industrial clustering, real advantages will stem from the economies of scale.

##### **How much important is MSME sector?**

- Nearly one-third of aggregate economy gross value added.
- Approximately one-third of manufacturing output in the country.
- Three-fourths of all establishments in country.

- With around 36.1 million units throughout the geographical expanse of the country, MSMEs contribute
  - 6.11% of the manufacturing GDP;
  - 24.63% of GDP from service activities;
  - 33.4% of India's manufacturing output.
- They have been able to provide employment to around 120 million persons and contribute around 45% of the overall exports from India.
- The sectors have consistently maintained a growth rate of over 20%.
- About 20% of the MSMEs are based out of rural areas, which indicate the deployment of significant rural workforce in the MSME sector.
- It is an example to the importance of these enterprises in promoting sustainable and inclusive development as well as generating large scale employment, especially in the rural areas.

##### **MSMES help in:**

- Generating large scale employment;
- Sustaining economic growth and increase the exports; and
- Making growth inclusive





### **What are the Government initiatives for MSMEs?**

- The government has initiated the following five key aspects for facilitating the MSME sector:
  - 1) **Access to credit:** Launch of the 59-minute loan portal to enable easy access to credit for MSMEs. Loans upto one crore can be granted in-principle sanction. There is also a provision for 2% interest subvention for all GST registered MSMEs on fresh or incremental loans.
  - 2) **Access to market:** public sector companies now have to compulsorily procure 25% technology hubs with 100 spokes in the form of tool rooms will be set up throughout the country.
  - 3) **Technology upgradation:** For access to technology, 20 technology hubs with 100 spokes in the form of tool rooms will be set up throughout the country.
  - 4) **Ease of doing business:** A number of initiatives have been initiated for facilitating business for getting clearances and certification.
  - 5) **Social Security for MSME sector employees:** A mission has been launched that ensures that employees have access to PM Jan Dhan Jan Accounts, provident fund and Insurance.

### **5. Revamping of farm and non-farm rural sector**

#### **How is the development in Agriculture?**

- The process of development of agricultural population perpetually started shifting from to non-farm sector.
- But in case of India, agriculture remains the mainstay of population where 60 per cent of population is still dependent but contributing only 14 per cent in the national gross domestic product.

#### **What is Agricultural policy?**

- The focus of the agricultural policy is to adopt the market-oriented approach instead of product-specific agriculture.
- The rural industries should be dovetailed with agricultural production.
- Already, dairy cooperation has contributed a lot in enhancing farm income.
- In this model, the dairy farmer of the village even after the sale of the milk, farmer of the village even after the sale of the milk, remains the share holder in the value addition of his milk through various products at the district, state and national level.
- The idea to float 10000 farm producers company would be very



helpful to make the share of the farmers in the agricultural trade.

- These producers companies would be different from cooperative and corporate model.
- These companies would have maximum number of farmers those are themselves the producers of product.
- No farmer can have his share more than Rs.1000.
- The idea behind is to promote the maximum participation of these farmers in their own venture.

#### ***What is the procurement policy?***

- It was observed that the producers and processors of agricultural products had been earning huge profit in their business, inspite of the volatility in farm prices.
- These farm producers companies would cover whole of India and different farm products.
- These companies would be helped by small business consortium and National Bank for Agriculture and Rural Development solely for other objective to enhance the farm income and employment.

#### ***How chemical fertilizers affect environmental balance?***

- The number of reports had indicated perpetually escalating use of

chemicals is affecting environmental balance.

- There are number of misconceptions about organic farming.
- Various studies had already proved that home-made and organic inputs are equally useful and the yield in organic and natural farms have equal or even higher yield than chemical-based farming.
- The chemical are penetrating in air, water and soil.
- More and more doses of chemicals had to be applied to maintain the level of output.
- The sponsorship and the export of the organic farm products were recommended.
- Now the Government has taken it in a mission to promote Zero-budget farming and there is no doubt that encouraging results on the front of sustainable environment and agricultural development would be accomplished.
- Diversification of agriculture is required to make the optimal use of source and to promote employment throughout the year.
- Government of India announced a new procurement policy in which some other farm products would be included in the state.



- As this policy would be implemented with the collaboration of State Governments, so some additional crops on the basis of the production in the respective states shall be included in it.
- Already, the Central Government announced the minimum support prices for 23 crops in the kharif as well as Rabi season.
- But only wheat and paddy are procured by the Government.
- But in this new policy, other crops would have their assured marketing.
- There are three options:
  1. The first is to procure by the Government
  2. Second, the farmers would sell their products in the regulated markets and the government would pay the balance in the market price and price and the minimum support price and
  3. Thirdly, the private traders are allowed to purchase but would have to pay the M.S.P.

### ***How Agricultural products export is promoted?***

- There is lot of potential for export of agricultural products.
- There is a big potential of dairy exports.
- As the international trade is on the basis of comparative cost, there is a proposal to establish Agriculture exports board.
- India is producing 15 per cent of the total milk of the world, but because of pressure of population, it is exporting just 1.6 per cent of the dairy export of the world.
- There is a need to develop the dairy which is competitive to the developed countries, where the yield of the animals is much higher than that of India.
- The state sponsorship of agriculture export would boost the agricultural products towards enhancing the farm income.